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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Hume

Accounting Controls and Procedures

The City Clerk's duties are not adequately segregated, and the Board of Aldermen does not adequately review or supervise the City Clerk's work. The City Clerk bills and records all utility fees; receives and deposits monies; prepares checks, monthly financial reports and bank reconciliations; posts entries to the accounting system; and maintains payroll records. Proper segregation or oversight is necessary to help ensure all transactions are accounted for properly and assets are adequately safeguarded. The method of payment is not consistently recorded on manual receipt slips, the numerical sequence of computerized transaction numbers are not accounted for properly, and the composition of receipts is not reconciled to the composition of deposits. Checks are not issued in numerical order, and the numerical sequence of check numbers is not accounted for properly. The Mayor and one Alderman are authorized signatories on the city bank accounts, but are not bonded; and the monthly reports reviewed by the Board of Aldermen do not contain sufficient information to properly monitor the city's financial activities and condition.

Utility System

The city lacked adequate documentation of water and sewer utility rate reviews. In November 2011, the Missouri Department of Natural Resources issued a warning letter requiring the city to make facility improvements. Without documentation of utility rate reviews, the city cannot demonstrate whether utility rates charged will support the costs of providing the utility services, including any improvements needed. Approximately 50 sewer customers may have been underbilled at least once between July and November 2011, and the sewer rates charged are not consistent with city ordinance. The City Clerk is authorized to make adjustments to water and sewer accounts with no independent review or approval, which increases the risk of theft, loss, or misuse. The city should reconcile the total gallons of water billed to customers to gallons of water purchased by the city and investigate large discrepancies.

Budgets, Financial Reporting, and Audits

Annual budgets do not contain all elements required by state law, and the Board of Aldermen did not prepare budget amendments to prevent disbursements from exceeding budgeted amounts in the Sewer Fund and the Water Fund in 2011. The city has not submitted an annual financial report to the State Auditor's office since 2008 as required by state law. For the 3 years ended December 31, 2011, the city did not obtain an annual audit of the water and sewer system as required by state law and bond agreements.

Disbursements	The city has no formal bidding policy, and bids are not always solicited and documentation of bids is not always maintained. The city also has no formal written agreement for ditch cleaning and culvert installation services. The Board of Aldermen approved and paid a Christmas bonus of \$250 to each of the city's two employees in December 2011 which violates the Missouri Constitution's prohibition of additional compensation for services previously rendered.
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In the areas audited, the overall performance of this entity was **Fair**.*

American Recovery and Reinvestment Act (Federal Stimulus)	The City of Hume did not receive any federal stimulus monies during the audited time period.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.